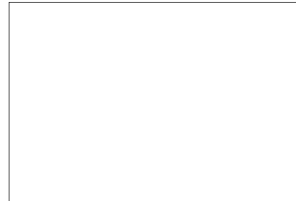


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NATIONAL INTELLIGENCE DAILY CABLE

Friday 29 September 1978 CG NIDC 78/228



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National Intelligence Daily Cable for Friday, 29 September 1978.

The NID Cable is for the purpose of informing senior US officials.

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SOUTH AFRICA: New Prime Minister

25X1 [] Under the leadership of Prime Minister Pieter Willem Botha, South Africa is likely to rely more on national self-sufficiency than on international cooperation. Botha, a tough professional Afrikaner politician, is dedicated to the principles of the National Party that he helped build and for which he has worked for 43 years. It is unlikely that he will radically change any existing government policies, at least in the near future.

25X1 [] As Minister of Defense for the past 12 years, the 62-year-old Botha built South Africa's strong and efficient defense force and developed the country's extensive military preparedness policy. He is the "hawk" in the government who ordered the South African military incursion into Angola in 1975 and the recent retaliatory raids against bases of the South-West Africa People's Organization in Angola and Zambia.

25X1 [] As the senior cabinet minister, he pushed through the decision earlier this month to break off negotiations with the UN for a settlement on Namibian independence, a position he is unlikely to reverse. Botha intends to retain the Defense portfolio.

25X1 [] Botha usually presents the image of a man in control of his emotions, but in times of stress he can lose control and act impulsively.

25X1 [] In international relations, he can be expected to react sharply to what he considers foreign interference in South African affairs. His basic foreign policy will probably be little different from that of his predecessor, though perhaps more hard line. Botha is strongly anti-Communist, but in public he is as prone to attack the West as he is to blast Communism. He feels he was let down by the US when it refused to support the foray into Angola.

25X1 [] The Prime Minister began working for the National Party in 1935 as a paid political organizer and has served in Parliament since 1948, when the Nationalists first came to political power. His views on domestic politics appear similar to those of former Prime Minister John Vorster, soon to be the State President, and he will doubtless continue the present

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[redacted]

policy of "separate development" of blacks and whites. He will also keep, and perhaps even tighten, the present internal security laws.

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[redacted] Botha, however, has been somewhat more flexible than many of his fellow Afrikaners in some aspects of racial policy. He was a central figure in two South African initiatives that have broken with the tradition of apartheid--the proposed constitution aimed at providing limited political rights to Coloreds and Asians, but not to blacks, and the new South African Defense Force policy to end racial discrimination in the armed forces.

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LEBANON: More Fighting in Beirut

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[redacted] *Christian Maronite leader Pierre Jumayyil yesterday ordered his forces to cease fire after a day of heavy fighting between the Maronite militiamen and Syrian forces in Beirut. Clashes have been occurring since Lebanese President Sarkis indicated last Friday that he intended to ask for a renewal of the Syrian-dominated Arab Deterrent Force's mandate.*

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[redacted] The latest round of heavy fighting began Wednesday afternoon with exchanges of mortar and machinegun fire in the Christian areas of East Beirut. During the night the Syrians used rockets, tanks, and heavy artillery to shell the Christian districts. Jumayyil's Phalange Party yesterday reported its headquarters was subjected to concentrated shelling.

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[redacted] The militiamen responded to the Syrian shelling with artillery fire, some of which reportedly hit a key Syrian military position. The militias were probably also responsible for artillery rounds fired on and near the port in West Beirut. This action may have been a warning to Muslims in West Beirut that the Maronites can shell their districts at will.

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[redacted] Jumayyil, after meeting with Sarkis yesterday afternoon, ordered his forces to cease fire, [redacted]

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[redacted] the Phalange would not seek to provoke or escalate the fighting. A Phalange leader told the US Embassy that it would take two or three days to bring the fighting under control.

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[] The Embassy speculates the Maronites initiated the latest fighting as a protest against Sarkis' apparent intention to renew the deterrent force's mandate. Jumayyil and other Maronites have recently softened somewhat their previous unqualified opposition to renewal, but they are demanding major revisions in the terms of the mandate and they probably are in no hurry to relieve pressure on the Syrians. Syrian commanders in Beirut turn to heavy shelling as a means of intimidating the Maronite militias without risking Syrian casualties in house-to-house fighting.

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[] Syrian President Assad, meanwhile, returned to Damascus yesterday from Kuwait. We cannot confirm press reports that he cut short his talks in Kuwait because of the situation in Beirut. We believe Assad probably does not want the current fighting to escalate seriously but will order his forces to retaliate for militia provocations. [] []

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PALESTINIANS: Terrorism

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[] //Palestinian extremists may express their opposition to the Camp David accords by attempting to increase terrorist operations. The more moderate Palestinian groups do not appear ready to mount international terrorist acts, although they can be expected to conduct further attacks in Israel and the occupied territories.//

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[] //Radical Palestinian leaders such as George Habbash, leader of the Popular Front for the Liberation of Palestine, have publicly threatened to attack US targets abroad because of Washington's role in arranging the Egyptian-Israeli agreements. [] []

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[] //Even leaders of the more moderate Fatah have made public threats of action against US targets. Fatah, however, probably made these threats to play to the Palestinians, and Fatah leaders do not appear ready to foreclose completely the possibility of future participation in the peace

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process.

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//Fatah, however, can be expected to undertake more acts of terrorism in Israel and the occupied territories to express its dissatisfaction with the Palestinian aspects of the Camp David accords.

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Terrorists have staged a large number of incidents in Israel and on the West Bank during the past two months.

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IRAN: Oil Workers' Strike

25X1 [] A series of wildcat strikes over the past several months in Iran has now hit the important petroleum industry. The walkout, which started on Saturday, now includes some 90 percent of local employees at several major oil production facilities and at the major Khark Island export terminal. Although the strike thus far has had little impact on production or exports, new drilling and the use of workover rigs have been suspended as have normal maintenance activities. The lack of maintenance increases the risk of serious accidents.

25X1 [] The fields known to have been struck include Ahvaz, Agha Jari, and Gachsaran, which supply almost half of Iran's current production. Export facilities at Khark Island handle some 4.6 million barrels per day, or more than 90 percent of Iran's crude oil exports.

25X1 [] Workers have presented a long list of salary and fringe benefit demands to the management of the consortium of international oil companies that is responsible for production at the major onshore oilfields. The Iranian Ministry of Labor and the state-owned National Iranian Oil Company--which operates the

25X1 [redacted]

distribution, refining, and export facilities--have taken the lead in negotiating for management. They reportedly have taken the line that everything is negotiable, but only after the illegal strike is terminated.

25X1 [redacted] Both the Shah and officials of the national oil company are said to be nervous about the strike, but they have thus far been unwilling to take any strong actions. Vague threats by the government have brought few workers back to work.

25X1 [redacted] For the near future, consortium management and staff personnel can keep production and exports going at a near-normal pace but, should the strike drag on for a long time, the Shah may have to resort to force to get the strikers back to work. The costs to Iran of an interruption of the flow of oil could be enormous; revenue from oil sales makes up about 97 percent of Iran's export earnings. [redacted]

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SINGAPORE: Trade and Development

25X1 [redacted] *//Singapore's Prime Minister Lee Kuan Yew arrives on an unofficial visit to the US today to discuss international trade, finance, and foreign investment matters with private business groups and US officials. He also intends to discuss the US role in Southeast Asia and to exchange views on relations with Asian Communist countries with US officials.//*

25X1 [redacted] Lee has already met with leading government and EC officials in Brussels and Paris on economic matters, particularly growing trade protectionism in Western Europe that could threaten Singapore's export-oriented manufacturing industries. While in Western Europe, he also tried to gain a feel for EC positions on a variety of economic issues that will be discussed in November at the ministerial meeting in Brussels of the EC and the Association of Southeast Asian Nations.

25X1 [redacted] Singapore is apparently well on its way to another excellent economic performance this year. During the first half of 1978, real gross domestic product grew at an 8.1-percent annual rate, outpacing most other economies in Southeast Asia.

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[] The twin pillars of Singapore's economy, manufacturing and services, are continuing to perform well this year. After three years in the doldrums, Singapore's petroleum refining industry is on the upswing as demand has increased in its major markets. As the world's third largest refining center, Singapore was hard hit by the loss of the Vietnam market and the 1974-75 recession. Oil rig suppliers and oil equipment service operations are also benefiting from the strong upturn in regional oil exploration and drilling.

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[] Foreign investment will show continuing gains this year, especially in high-technology industries. The US is still the leading foreign investor in Singapore, although Japanese investment has been rising rapidly and could surpass the US in the early 1980s.

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[] Singapore's traditional trade deficit widened substantially in the first half of 1978, largely because of a slowdown in export growth. Even so, the government should not experience any balance-of-payments difficulties because of continuing high levels of long-term capital inflows and a comfortable \$4.1 billion foreign exchange cushion.

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[] The only clouds in an otherwise bright picture are the tight labor market and the slowdown in export growth. Shortages of skilled labor are eroding Singapore's competitive advantage in labor-intensive manufacturing industries, particularly textiles and other consumer products. Export growth is running at half the 1977 rate, a reflection both of an increase in protectionism in West European markets and of an effort by neighboring Malaysia and Indonesia to eliminate Singapore's traditional role as a trading center for their primary commodities.

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[] Lee is confident that Singapore will continue its recent strong economic performance over the next several years. His optimism hinges on the government successfully implementing its longstanding policy of encouraging a shift from labor-intensive to capital-intensive manufactured exports.

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[] In his discussions with US officials, Lee will express his deep suspicion of Communist intentions in Southeast Asia and will seek assurances of continued US interest in the area. []

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BRIEFS

France

25X1 [] //France has decided to implement plans to build its sixth ballistic missile submarine, the first of a new class to be armed with multiple-warhead missiles. The submarine is scheduled for completion in the mid-1980s.//

25X1 [] //President Giscard this week approved the start of construction next year; defense studies have showed that the new submarine can be financed without seriously affecting other military programs. The French decided in principle to build a sixth strategic-missile submarine two years ago, but a final determination on when to begin was delayed by unresolved funding and technical problems.//

25X1 [] //The submarine will carry 16 of France's new M-4 missiles, each of which can be armed with three to seven 150-kiloton warheads. The warheads are designed for release in a cluster and apparently will not be independently targetable, although the French have studied the possibility of using MIRVs. The M-4 will have a range of 4,000 to 5,000 kilometers. 25X1 []

South Korea

25X1 [] South Korea has removed import restrictions on an additional 299 commodities and will lower its average tariff rates from 36 percent to 25 percent on 1 January. These measures follow the recent removal of curbs on nearly 200 commodities.

25X1 [] President Pak's government hopes the freer flow of imports will reduce inflation, now running at a 15-percent annual rate, and help South Korea in international trade negotiations. According to government estimates, the new measures will generate an additional \$200 million in imports this year and \$300 million in the first quarter of 1979. 25X1 []

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